

Message Text

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ACTION AGRE-00

INFO OCT-01 EUR-12 IO-13 ISO-00 EB-07 COME-00 STR-04
TRSE-00 CIAE-00 INR-07 NSAE-00 /044 W
-----124021 291143Z /12

R 291120Z JUN 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 4917
INFO ALL EC CAPITALS
AMEMBASSY BRUSSELS
USMISSION GENEVA

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USEEC, USMTN

PASS AGRICULTURE ELECTRONICALLY FROM AGRICULTURAL ATTACHE

E.O. 11652: N/A
TAGS: EAGR, EPAP/FR, EC
SUBJECT: FRENCH COFFEE PRICE CONTROLS EXTENDED TO
WHOLESALE LEVEL

1. IN VIEW OF RECORD LARGE VALUE OF COFFEE TRADE DEFICIT EXPERIENCED IN RECENT MONTHS (SEE BELOW DATA ON CY BASIS), CONCERN BY FRENCH OFFICIALS OVER RECORD HIGH COFFEE IMPORT COSTS IS INCREASING.

2. A. GREEN AND ROASTED COFFEE TRADE (IN THOUSAND MT AND BILLION FF):

	CY - 1975		CY-1976	
	VOLUME	VALUE	VOLUME	VALUE
IMPORTS	294.80	1.638	292.59	3.096
EXPORTS	8.42	0.058	9.85	0.123

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BALANCE - 286.38 - 1.580 -282.74 -2.973

B. COFFEE EXTRACT TRADE (IN BILLION FF): (VALUE)

	CY-1975	CY-1976
IMPORTS	0.144	0.301
EXPORTS	0.159	0.252

BALANCE # 0.015 - 0.049

C. TOTAL COFFEE TRADE (IN BILLION FF):

	CY-1975	CY-1976
BALANCE	- 1.565	- 3.022

3. ALTHOUGH COFFEE IMPORTS HAVE NOT CHANGED SIGNIFICANTLY IN VOLUME, TRADE DEFICIT IN VALUE DOUBLED IN 1976 COMPARED TO PREVIOUS YEAR (AROUND 3 BILLION FF VERSUS 1.56 BILLION FF). FORECASTS OF BOTH MINISTRY OF FINANCE (DREE) AND SECRETARY OF STATE FOR CONSUMER AFFAIRS ARE EVEN MORE PESSIMISTIC FOR CY-1977: TOTAL IMPORTS SHOULD BE IN MAGNITUDE OF 6 TO 7 BILLION FF FOR WHOLE YEAR. WITH EXPORTS (MAINLY COFFEE EXTRACTS) PLACED AT 700 MILLION FF, TOTAL COFFEE TRADE BALANCE SHOULD BE NEGATIVE BY AROUND 6 OR 6.5 BILLION FF, UP FROM 3.0 BILLIONFF IN 1976.

4. RESULTING FROM NEGOTIATION CONDUCTED BY SECRETARY OF STATE FOR CONSUMER AFFAIRS, MRS. SCRIVENER, WITH FRENCH COFFEE ROASTERS' FEDERATION (REP: MR. JACQUES RAULT) AND BOARD OF TV ADVERTISING AGENCIES (REGIE FRANCAISE DE PUBLICITE, REP: MR. JEAN-LOUIS SERVAN-SCHREIBER), IT WAS AGREED THAT ADVERTISING FOR COFFEE ON TV WOULD BE SUSPENDED FOR THREE-MONTH PERIOD STARTING JUNE 2. IN ADDITION, FRENCH COFFEE PROFESSIONALS HAVE BEEN ASKED BY GOF: LIMITED OFFICIAL USE

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1) TO PROPOSE COFFEE SUBSTITUTE TO FRENCH CONSUMERS; AND 2) TO ADVERTISE THESE SUBSTITUTES ON TV. BOTH ACTIONS AIM AT REDUCING COFFEE CONSUMPTION AT HOME.

5. CONCERNING COFFEE CONSUMPTION IN BARS, RESTAURANTS AND HOTELS, BEVERAGE DISTRIBUTORS' ASSOCIATION, L'UNION DES DEBITANTS DE BOISSONS, ORGANIZED ON ITS OWN INITIATIVE ON JUNE 20 A "PROMOTION DAY FOR SUBSTITUTE COFFEE", DURING WHICH THEY OFFERED CONSUMERS FREE CUP OF MIXTURE 60 PERCENT COFFEE, 40 PERCENT CHICOREY. IT WAS GENERALLY REPORTED THAT CONSUMERS' ACCEPTANCE OF THIS BLEND WAS VERY POOR AND THAT MOST BARS STOPPED OFFERING NEW BLEND A FEW DAYS AFTER INITIAL EXPERIENCE OF CUP OF "GRATIS COFFEE" WAS CONDUCTED.

6. CONSUMPTION OF GREEN COFFEE AT ROASTER'S LEVEL REPORTEDLY DECLINED IN MAY AND JUNE BY 20 PERCENT COMPARED TO MAY AND JUNE 1976. SINCE NONE OF OFFICIAL ABOVE-MENTIONED MEASURES (ITEM 4) ARE EXPECTED TO HAVE SUBSTANTIAL EFFECT ON COFFEE CONSUMPTION, GOF IS CURRENTLY CONTEMPLATING IMPLEMENTATION OF SEVERAL ACTIONS AIMED AT

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ACTION AGRE-00

INFO OCT-01 EUR-12 IO-13 ISO-00 EB-07 COME-00 STR-04
TRSE-00 CIAE-00 INR-07 NSAE-00 /044 W
-----124040 291142Z /12

R 291120Z JUN 77
FM AMEMBASSY PARIS
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EFFECTIVELY REDUCING HOUSEHOLD COFFEE CONSUMPTION (WILL REPORT WHEN NEW SIGNIFICANT DECISIONS KNOWN). HOWEVER, GOF'S FREEDOM OF ACTION IS LIMITED. FOR EXAMPLE, HIGHER PRICES ARE AN UNPALATABLE CHOICE SINCE COFFEE PRICES ARE INCLUDED IN FRENCH CPI, AND INFLATION IS A VERY SENSITIVE ISSUE. ALTHOUGH WEIGHT OF COFFEE AND COFFEE PRODUCTS IN INDEX IS RELATIVELY SMALL (0.45 PERCENT), PSYCHOLOGICAL IMPACT OF COFFEE PRICE INCREASES HAS ALWAYS BEEN STRONG IN FRANCE.

7. ON JUNE 27, FRENCH MINISTRY OF FINANCE (DIRECTION DES PRIX) DECIDED TO EXTEND (FOR UNDETERMINED PERIOD) TO WHOLESALE LEVEL COFFEE PRICE CONTROLS ALREADY EFFECTIVE AT RETAIL LEVEL, I.E. CEILING ON SELLING PRICES WITH PERIODIC ADJUSTMENT BY GOF. GOF HOPES THESE MEASURES WILL FORCE ROASTERS TO REFLECT IN THEIR PRICES THE DECLINE RECORDED IN WORLD MARKET PRICES DURING PAST TWO MONTHS.

8. ALTHOUGH ABOVE-MENTIONED MEASURE HAS ALREADY BEEN
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PUBLICIZED IN FRENCH PRESS, FINAL LEVEL OF PRICE CEILING IS STILL UNDER CONSIDERATION AT MINFIN. REPORTEDLY STRONG OPPOSITION FROM DREE (FOREIGN TRADE DIVISION WHICH IS MOST CONCERNED WITH LIMITING IMPORTS ON THE LONG-RUN AND THEREFORE DISCOURAGING CONSUMPTION) NECESSITATED ARBITRATION FROM PRIME MINISTER, SINCE CHOICE BETWEEN MODERATING CPI AND MINIMIZING TRADE DEFICIT WAS DIFFICULT TRADE-OFF. FINAL DECISION SEEMS TO REFLECT BARRE'S STRONGER POLITICAL DESIRE TO CONTROL INFLATION.

9. REPORTEDLY GREEN COFFEE STOCKS IN FRENCH PORTS VERY HIGH, 28,000 MT VERSUS NORMAL OF 5,000 MT. THEREFORE EXTENSION OF PRICE CONTROLS TO WHOLESALE LEVEL WOULD LIKELY DISCOURAGE IMPORTS IN SHORT RUN. LONG RUN IMPACT REMAINS TO BE SEEN.
GAMMON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COFFEE, PRICE CONTROLS
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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977PARIS19019
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770231-1316
Format: TEL
From: PARIS USEEC USMTN
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t1977067/aaaaafwx.tel
Line Count: 189
Litigation Code IDs:
Litigation Codes:
Litigation History:
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Office: ACTION AGRE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2200444
Secure: OPEN
Status: NATIVE
Subject: FRENCH COFFEE PRICE CONTROLS EXTENDED TO WHOLESALE LEVEL
TAGS: EAGR, EPAP, FR, EC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/3131667f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009